

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Qualified Managers- Active Equity Strategies Request for Information



Please Note:

- 1) OPERS is subject to the Ohio Public Records Act; the documents submitted pursuant to this RFI may be subject to a public records request.
- 2) All responses must be delivered to OhioQualEQ@opers.org. Any questions may also be directed to the same email address.
- 3) All firms must limit submissions to no more than one submission per firm and related subsidiaries in any given rolling twelve-month period.
- 4) All participating firms (and/or parent, affiliate or subsidiary) must be an Ohio-qualified manager meeting the following criteria:
 - a. Is subject to taxation under R.C. Chapter 5725 (financial institutions; dealers in intangibles; insurance companies), 5726 (financial institutions tax), 5733 (corporation franchise tax), 5747 (income tax), or 5751 (commercial activity tax),
 - b. Meets one of the following:
 - i. maintains its corporate headquarters or principal place of business in Ohio, or
 - ii. employs at least 500 individuals in Ohio, or
 - iii. maintains a principal place¹ of business in Ohio and employs at least 20 Ohio residents;and
 - c. Has been certified as an Ohio-qualified manager. For more information on how to become an Ohio Qualified Manager and to register, please visit:
https://www.strsoh.org/_pdfs/forms/manager-cert.pdf

¹ “Principal place of business in the State of Ohio” means an office in Ohio in which the investment manager regularly provides securities or investment advisory services and solicits, meets with, or otherwise communicates with clients.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

**Ohio Qualified Managers-
Active Equity Strategies Request for Information**

TABLE OF CONTENTS

INTRODUCTION..... 3

SUMMARY OF SERVICES..... 3

MINIMUM QUALIFICATIONS 3

TERMS AND CONDITIONS FOR SUBMITTING PROPOSALS 4

EVALUATION PROCESS 4

ATTACHMENT 1 - MANAGER CERTIFICATION 5

ATTACHMENT 2 - QUESTIONNAIRE 6

A. FIRM / ORGANIZATIONAL INFORMATION 7

B. PRODUCT INFORMATION 9

C. INVESTMENT PHILOSOPHY AND PROCESS 10

D. PORTFOLIO INFORMATION 11

E. TRADING..... 12

F. RISK MANAGEMENT..... 12

G. PERFORMANCE 13

H. FEE STRUCTURE AND COSTS 13

I. OTHER 14

EXHIBIT A - OPERS INSURANCE STANDARDS..... 15

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Qualified Managers- Active Equity Strategies Request for Information

INTRODUCTION

In 1935, the Ohio Public Employees Retirement System began a tradition of providing retirement benefits to state employees. Today, OPERS provides retirement, disability, and survivor benefit programs to public employees throughout the state who are not covered by another state or local retirement system. With approximately \$114 billion in net assets, OPERS serves more than 1,184,000 members of approximately 3,700 public employers and 216,000 retirees, disability recipients and surviving beneficiaries who receive monthly benefits.

The most recent OPERS Comprehensive Annual Financial Report is available on the OPERS website at: <https://www.opers.org/pubs-archive/financial/ACFR/2020-OPERS-Comprehensive-Annual-Financial-Report-ACFR.pdf>

SUMMARY OF SERVICES

OPERS may engage an investment manager to manage equity assets. This is an opportunistic search that may or may not result in any hire. This mandate requires a separate account structure. The strategy must be able to be benchmarked against one of the following benchmarks:

- Russell 1000 Index
- Russell 2000 Index
- Russell 3000 Index
- MSCI All Country World Ex United States Net Dividend Index
- MSCI World Ex US Small Cap Net Dividend Index
- MSCI EAFE Net Dividend Index
- MSCI Emerging Markets Net Dividend Index
- MSCI Emerging Markets Small Cap Net Dividend Index

This search will focus on long only, non-leveraged, active managers where the individual stock selection decisions are being made by employees of the submitting firm. With the exception of US domestic funds, single country strategies will not be permitted. Investment Managers who invest in closed-end funds, Fund of Funds, ETFs, mutual funds/CITs, or actively manage portable alpha, index and/or 130/30 strategies are not being sought at this time.

MINIMUM QUALIFICATIONS

Prospective managers responding to this request (“Prospective Managers”) must meet the minimum qualifications to OPERS satisfaction to be given further consideration. Minimum qualifications are listed in **Attachment 1 – Manager Certification**. However, OPERS reserves the right to choose to retain a manager that does not meet such qualifications, at OPERS’ sole and absolute discretion

TERMS AND CONDITIONS FOR SUBMITTING PROPOSALS

1. OPERS is subject to the Ohio Public Records Act; the documents submitted pursuant to this Request for Information (“RFI”) may be subject to a public records request. Accordingly, Prospective Managers must identify any material or documents that are confidential and clearly mark those items or documents at the time of submittal. If no documents or materials are identified and marked by Prospective Manager as confidential, the Prospective Manager will be deemed to have consented to the release of the document or material and to have waived any cause of action against OPERS resulting from the release of the documents or materials.
2. All responses must be delivered to OhioQualEQ@opers.org . Any questions may also be directed to the same email address.
3. OPERS reserves the right without prejudice to reject any or all proposals submitted. There are no expressed or implied obligations on the part of OPERS to reimburse responding Prospective Managers for any expenses incurred in preparing proposals in response to this request.
4. This RFI is not a contract, not meant to serve as a contract, does not constitute a promise to enter into a contract and is not a promise or assurance that any Prospective Manager will be selected to provide services.
5. All documents, proposals and other materials submitted in response to this RFI will become the property of OPERS and will not be returned to the Prospective Manager.
6. By submitting a response to this RFI, Prospective Manager agrees to comply with all terms, conditions and requirements described in the RFI.
7. If a contract results from this RFI, neither the Manager, nor anyone on its behalf (including its agents, affiliates, subcontractors and/or Managers), shall publish, distribute or otherwise disseminate any press release, advertising and/or publicity matter of any type or kind (collectively “Advertising Material”) having any reference to OPERS (or this RFI) unless and until such Advertising Material first shall have been submitted to and approved in writing by OPERS.
8. An individual who is authorized to contractually bind the Prospective Manager must sign **Attachment 1 - Manager Certification.**

EVALUATION PROCESS

All responses submitted will be evaluated in accordance with the provisions stated in this RFI. Clarifications may be requested from the Prospective Manager at any phase of the evaluation process.

The purpose of the evaluation process is two-fold: (1) to assess the responses for compliance with the minimum qualifications requirements listed in **Attachment 1 – Manager Certification**; and (2) to identify Prospective Managers that have the highest probability of successfully performing the services as described herein. The evaluation process will be conducted in a comprehensive and impartial manner.

ATTACHMENT 1 - MANAGER CERTIFICATION

Ohio Qualified Managers- Active Equity Strategies Request for Information

Prospective Manager Firm Name

Prospective Product Name

The Prospective Managers must substantiate that the firm satisfies or will agree to meet the minimum criteria listed below to OPERS satisfaction. This certification and the associated documentation must contain enough information, as prescribed, to assure OPERS of its accuracy.

The Prospective Manager must:

- 1) Have and maintain the status of a registered investment advisor under the Investment Advisors Act of 1940.
- 2) Have and maintain the Ohio-Qualified Manager Certification.
- 3) Have a minimum of \$50 million USD in total firm assets under management (AUM). Please note, AUM must be managed directly by employees of the submitting firm and should not include third party mutual funds, ETFs, closed-end funds, Fund of Funds, mutual funds/CITs etc.
- 4) Employ dedicated investment professionals in-house to make stock selection decisions. 3rd party mutual funds, ETFs, closed-end funds, Fund of Funds, ETFs, mutual funds/CITs will not be considered at this time.
- 5) Have previously established and managed separate account mandates or possess the capabilities needed to manage a separate account mandate.
- 6) Have at least a three-year, live track record for the proposed strategy, with the same PM, as of the date of submittal. (Please note back tested track records will not be accepted.)
- 7) Maintain GIPS compliance for the entire track record of the proposed strategy.
- 8) Agree to comply with Ohio law as it applies to investments made by OPERS.
- 9) Agree to comply with OPERS insurance standards as outlined in Exhibit A hereto, if hired.
- 10) Agree to act as a fiduciary within the meaning of applicable Ohio law (including Chapter 145 of Ohio Revised Code).

The Prospective Manager certifies:

- 1) To the best of our knowledge, all information and representations provided are true, complete and accurate.
- 2) No previous submissions to this RFI have not been made in the previous twelve months.
- 3) We warrant and represent that our firm did not confer with any other persons or organizations submitting information regarding the search in progress.
- 4) We have read the complete materials and agree to the terms and requirements upon which this Request for Information is conditioned.
- 5) The signature affixed hereon and dated certifies compliance with all the requirements of this Request for Information.

Yes: _____ No: _____

Prospective Manager - Authorized Signature

Printed Name

Title

Date

ATTACHMENT 2 - QUESTIONNAIRE

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

**Ohio Qualified Managers-
Active Equity Strategies Request for Information**

INSTRUCTIONS

OPERS is considering hiring active Equity Managers as outlined in this Request for Information. All Prospective Managers shall complete each of the sections of this questionnaire. Responses should be clear, concise and complete.

Firm Name: _____

Product Name: _____

Contact Person: _____

Title: _____

Address: _____

Phone: _____

Email: _____

Please try to limit your responses to no more than one (1) page per question and type each response in the same order as listed in this questionnaire.

A. Firm / Organizational Information

1) Please complete the following table:

Firm Information	
Country and state of incorporation	
Date firm founded	
Principal place of business	
Fiduciary classification	
Date and current registration with any regulatory agency (SEC, FSA).	
Form of organization (corporation, partnership, LLC, etc.)	

- 2) Provide a list of all owners and their corresponding percentage of ownership in the firm.
- 3) Please describe:
- Any material developments in your organization (changes in ownership, personnel, business, etc.) over the past five years in detail.
 - Any joint ventures or affiliations including any ownership the firm or any entity under its control may hold in other investment firms
 - Any planned changes in terms of ownership structure, resources or staffing, including any succession planning for potential retirements of key individuals in the proposed product
- 4) Please disclose and describe:
- Any significant findings by any regulatory agency that conducted an audit or review of the firm within the last seven years.
 - Any deficiency letter or similar report by any regulatory agency regarding an audit or review of the firm within the last ten years.
 - Any investigation or litigation involving the firm or any of its principals during the last ten years, including the nature of the litigation, the parties and the status of the litigation.
 - Please provide an electronic copy of your full Form ADV (Parts I and II) if applicable.
- 5) Provide a current organizational chart of your firm. Please also provide an organizational chart that shows the persons who would be involved in proposed product and professional bios for all staff involved with the proposed product and a summary of all of their duties at the firm.
- 6) Provide the location and function of each of your firm's offices and the location(s) of the management of this strategy.
- 7) Please describe the policies and/or practices your organization has in place to promote and/or increase diversity among your workforce.
- 8) Please describe actions taken by your organization to ensure women and minorities are equally represented in leadership roles.

9) Please list the number of employees in each department/job function. If persons are included in more than one category, please explain in detail the reason for inclusion in such categories:

	# of Employees	% Female/Minority*
Investment Committee		
Portfolio Management		
Analyst		
Risk Management		
Legal		
Operations (Back Office / Admin)		
Other (please provide detail)		
Total Dedicated to Management of Proposed Product		
Partner or Employee with Firm Ownership		

* Minority is as defined in the Ohio Revised Code and includes: Blacks or African Americans, American Indians, Hispanics or Latinos, and Asians.

10) Provide a list of the professionals in the subject product in the manner listed below:

Portfolio Management

Name	Title/ Responsibilities	Years Exp	Years at Firm	Degrees/ Designations	Sponsoring Body/ School

Research

Name	Title/ Responsibilities	Years Exp	Years at Firm	Degrees/ Designations	Sponsoring Body/ School

Trading

Name	Title/ Responsibilities	Years Exp	Years at Firm	Degrees/ Designations	Sponsoring Body/ School

11) Please list all investment professionals associated with your equity strategies as well as other firm strategies that joined your organization in the past five years:

Professionals - Joined	Date Joined	Title/Job Function	Products

12) Please list all investment professionals associated with your equity strategies as well as other strategies that left your organization in the past five years. Please include departures, regardless of seniority.

Professionals - Departures	Date Left	Title/Job Function	Years with Firm	Products

13) Please disclose and describe any person(s) on the portfolio, accounting and/or compliance team have been convicted or pled guilty to a violent crime or a crime involving theft at any time.

a) Would your employees be willing to submit to criminal and work history background checks at the expense of OPERS?

14) Please identify and describe any relationships with third party marketers or placement agents. Will any management fees paid by OPERS be used to compensate these parties?

15) Pursuant to Ohio Revised Code Section 145.112, please disclose the names of any officer, director, member, partner, employee, or holder of a direct or indirect equity interest in the firm that was, within the preceding three years, (a) employed by OPERS, or served as an officer or board member of OPERS, or (b) employed by a board member or an officer of OPERS. If the firm identifies individuals pursuant to the preceding sentence, please describe the position of such person within the firm and the nature of such person’s relationship with OPERS or its officers or board members. (Please note that per Ohio Revised Code Section 145.112, OPERS may be unable to engage external managers meeting the criteria listed above.)

B. Product Information

1) Please complete the following table relating to asset growth:

Amount of Assets	12/21	12/20	12/19	12/18	12/17
Total Firm Assets (\$ mil)					
Total Assets in Proposed Product (\$ mil)					
Total Assets in Proposed Product (\$ mil) - inst'l separate accounts					
Total # of Clients in Proposed Product					
Total # of Clients in Proposed Product - inst'l separate accounts					

2) Please specify which product is proposed for this mandate.

3) Please provide brief description of the proposed strategy. The description should include:

- a) Investment objective, return, risk
- b) Investment universe

- c) Number of securities in the portfolio
 - d) Inception date
 - e) Maximum capacity
 - f) Strategy AUM
 - g) Turnover
 - h) Percentage of holdings in common with proposed strategy
- 4) Are you submitting an Equity product with an actual “live” track record or are you submitting a carve out or product with a simulated track record? Please note that simulated track records or products with live track records less than three years will not be accepted.
- 5) What is your preferred benchmark for the proposed product, and why? Which benchmark are you proposing OPERS measure the benchmark against for the purposes of this submission?
- 6) Please list the five largest clients currently invested in the proposed product.

Client Name	Client Type	Inception Date	Product Type (Commingled, Separate)	Market Value	% of Product AUM

- 7) For the proposed product, please list the accounts gained and lost over the past several years and the reasons for any lost accounts.

	Total Assets Gained	# of Accounts Gained	Total Assets Lost	# of Accounts Lost
2021				
2020				
2019				
2018				
2017				
2016				

C. Investment Philosophy and Process

- 1) Describe your investment philosophy for the proposed product. Provide a brief history of the philosophy and process. Who was the original architect? Indicate whether your firm’s subject product investment capabilities were developed in-house or derived through acquisition of investment talent from another firm. If the latter, indicate when this occurred. Describe how it has changed over the past several years and how you expect it to change in the future.
- 2) What are the key factors that differentiate this product and give it a competitive advantage over the others in the marketplace?

- a) Why do you believe this philosophy will be successful in the future? Provide any evidence or research that supports this belief.
 - b) Are there any niches in which you have a specific focus or competitive advantage? How was this competitive advantage developed? How do you maintain this advantage?
- 3) What percentage of resources and time does your team devote to the top-down aspect of your approach versus the bottom-up (security selection) aspect of your process? Please describe your investment decision process about the following:
 - a) Security Selection
 - b) Sector Selection
 - c) Country Selection (if proposing Non-US strategy)
 - 4) Please explain, in detail, your firm's research process and how the research function is organized. Be sure to highlight the following:
 - a) Explain the roles and responsibilities of each team member in the investment process. Notably the portfolio manager(s), analysts and trader(s).
 - b) Describe how a name goes from idea generation to portfolio holding.
 - c) Buy and sell disciplines
 - d) State the location(s) where research is carried out and what specific research is conducted at each location.
 - e) What is the universe of companies researched and how is it determined?
 - f) How many companies / sectors are analysts responsible for covering?
 - 5) What is the range of market capitalizations (lowest to highest) for which you will consider investing in the proposed product?
 - 6) If the subject product uses derivatives please discuss how they are used, strategies employed and the extent of their use, the experience of the staff in managing derivative instruments and where leverage is being employed. What impact to performance would there be if derivatives were not allowed in this portfolio? Please describe how this constraint would affect your portfolio construction process.
 - 7) How important historically have initial public offerings (IPOs) played to the strategy?
 - 8) What percentage of your annual budget is spent on research?
 - 9) What percentage of time do the Lead Portfolio Manager and backup Portfolio Manager dedicate to the proposed strategy?

D. Portfolio Information

- 1) What is your targeted alpha and tracking error above the benchmark? How were the targets developed? Over what time horizon would you expect to meet those objectives?
- 2) Are there any sectors or industries that you strategically choose not to invest in? Are there any that your approach has a bias towards overweighting or underweighting?
- 3) Please submit an actual client portfolio (excel file including ticker and shares held) as of the most recent quarter, which closely reflects the investments proposed for this account.

E. Trading

- 1) Describe your firm's trading capabilities associated with the proposed investment strategy. How many traders will be used for this strategy?
- 2) Describe your firm's risk control procedures pertaining to trading.
 - a) Who authorizes trades for the portfolio?
 - b) Who executes trades for the portfolio?
 - c) Who runs the reports to check compliance tolerances for the portfolio?
 - d) Who reviews these reports? How often are these reviewed?
 - e) Who runs the reports to check risk tolerances for the portfolio?
 - f) Who reviews these reports?
 - g) How often are these reviewed?
- 3) What type of electronic trading systems do you use?
- 4) Describe the systems used in portfolio accounting and reconciliation process. Please identify all parties involved with the process, their roles and how the firm ensures the validity of the information.
- 5) Do you use SWIFT to notify custodians of trades?
 - a) Do you currently have clients who use both a Master Recordkeeper and a custodian?
 - b) Do you currently have any clients who use BNY Mellon as Master Recordkeeper?
 - i) If so, what problems have you had meeting BNY Mellon's deadlines and/or reconciling with them?
- 6) How are trading costs monitored? How are execution costs minimized? Does your firm utilize a transaction cost analysis provider? What is the average commission cost (in basis points) for the composite portfolio for the last three years?
- 7) What are the policies and processes by which trades are allocated across separate accounts versus commingled trust funds or mutual funds?

F. Risk Management

- 1) Describe the risk management process within your organization and the degree of independence from your portfolio management process. Please describe how the firm assures the independence of risk management.
- 2) What systems are used in the risk management area on a regular basis?
- 3) Please describe the process used to stress test the portfolio, if any. Please provide the output for the current portfolio based on the stress tests you run.
- 4) Provide your proposed investment guidelines for this product under a fully discretionary basis. Also include the following, if applicable:
 - a) Maximum ownership constraints
 - b) Typical number of securities held in the strategy
 - c) Any security types that are prohibited
 - d) Maximum active risk allocation to a single security as a percent of total portfolio

- e) Minimum/maximum market capitalization range
- f) Minimum/maximum sector allocation
- g) Maximum cash balance
- h) Any ETF usage

- 5) What is the expected tracking error and actual tracking error since inception?
- 6) Please describe how the firm monitors compliance with portfolio guidelines.

G. Performance

- 1) What is your strategy’s return objective and over what time horizon should your strategy meet performance objectives?
- 2) Describe what circumstances or market conditions would favor your investment strategy. When can it be expected to be out of favor or unrewarded versus the benchmark?
- 3) Please provide your monthly gross and net (of all fees) performance for the proposed product since inception through the most recent quarter. Data should be for a composite with the same objective. **Simulated Results will not be considered and should not be submitted.** Submitted returns should be calculated in accordance with GIPS standards. Please attach a completed Excel spreadsheet file in the following format:

Month	Gross Return	Net Return

- 4) Please provide a description of composite:
 - a) Number of accounts and market value of assets represented in composite as of each annual period shown.
 - b) Include low/high and median return for each annual period.
 - c) Has the composite been verified for compliance with GIPS standards?
 - d) Is there a period for which composite is not in compliance?
- 5) Provide performance attribution report for each of the last five calendar years. The analysis should include the impact of sector, market cap and cash allocation.

H. Fee Structure and Costs

- 1) Please provide a proposed fee schedule for a mandate up to \$200 million for the account, including any breakpoints. (Please note: the maximum mandate size will be the lesser of \$200mm or 20% of total firm AUM, but several factors will dictate the final funding amount.)

- 2) Will you certify that the fee schedule provided above is the most favorable fee schedule that the firm offers for clients with similar requirements? If not, please explain why.
- 3) Are you willing to negotiate fees?

I. Other

- 1) Please identify three (3) existing clients invested in the strategy that can be contacted as references. Provide the firm name, contact person and title, address, telephone number and email address. Also, indicate the length of your relationship for each reference.
- 2) Please identify two (2) clients that have terminated their relationship in the past three years that can be contacted as references. Provide the firm name, contact person and title, address, telephone number and email address. Also, indicate the length of your relationship for each reference as well as the reason for termination.

EXHIBIT A - OPERS INSURANCE STANDARDS

Insurance Guidelines

Fidelity Insurance: Manager shall maintain insurance policies or bonds other than ERISA Bonds, pursuant to ORC § 145.113(E), that protect against fraudulent or dishonest acts of the Manager, its officers, affiliates or employees. Fidelity Insurance shall be written on a Surety and Fidelity Association of America form, or a substantially equivalent form, determined in accordance with the Manager’s legal status: Form 14 if Manager is a Mutual or Hedge Fund or Private Equity Firm; Form 15 if a Real Estate Investment Trust or Broker-Dealer; Form 24 if a Bank or Trust Company or Form 25 if an Insurance Company.

The Manager’s Fidelity Insurance must cover (1) acts of dishonesty, including but not limited to, employee dishonesty, (2) acts of fraud, including but not limited to, computer fraud, electronic funds fraud and wire transfer fraud, and (3) forgery and alteration, in at least these amounts:

Manager’s Assets Under Management *	Minimum Required Limit
Up to \$500 million	\$1 million
\$500 million to \$3 billion	\$3 million
\$3 billion to \$10 billion	\$5 million
\$10 billion to \$25 billion	\$10 million
\$25 billion to \$50 billion	\$15 million
\$50 billion to \$100 billion	\$25 million
\$100 billion to \$250 billion	\$35 million
\$250 billion to \$500 billion	\$50 million
Over \$500 billion	\$50 million and subject to further review **

Errors and Omissions Insurance: The Manager shall also, during the term of this Agreement, maintain Errors and Omissions (“E&O”) Insurance to protect the Manager, its officers, directors and employees in the event they are sued for any actual or alleged negligent act, error or omission committed within the scope of performing professional services, including legal defense costs even where allegations are baseless, in at least the amounts set forth in the following table:

Manager’s Assets Under Management *	Minimum Required Limit
Up to \$250 million	\$1 million
\$250 million to \$500 million	\$2 million
\$500 million to \$1 billion	\$5 million
\$1 billion to \$10 billion	\$10 million
\$10 billion to \$25 billion	\$15 million
\$25 billion to \$50 billion	\$25 million
\$50 billion to \$100 billion	\$50 million
\$100 billion to \$250 billion	\$75 million
\$250 billion to \$500 billion	\$100 million
Over \$500 billion	\$100 million and subject to further review**

* “Assets Under Management” in both tables above means the higher of the Manager’s total assets disclosed in its most recently filed Securities and Exchange Commission Form ADV-1 or its Form ADV-2, or similar documents filed with other regulators if Manager is not SEC-registered, at the time insurance is issued or renewed.

**For Managers with assets under management over \$500 billion, OPERS and OPERS Insurance Consultant shall review the Manager’s insurance and may require that the Manager submit additional information.

Standards for Fidelity and E&O Insurance: The Manager's coverage must be written by an insurance company rated A (Excellent), or better, with a financial size category of IX (adjusted policyholder surplus of at least \$250 million), or higher, as determined by A. M. Best at the time of issuance. The Manager's Deductibles or Retentions may not exceed 5% of the Minimum Required Limits set forth above or 7.5% of the amounts purchased, if greater than the Minimum Required Limits.